USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/14/2004

GAIN Report Number: IN4047

India

Cotton and Products

Annual

2004

Approved by:
Chad R. Russell
U.S. Embassy, FASNEWDELHI

Prepared by:
Santosh Kr. Singh

Report Highlights:
Indian cotton production in MY 2004/05 is forecast to decline marginally to 16.2 million bales (170 kg) because of a likely lower yield despite an increase in planted area. Cotton consumption is expected to increase to 17.1 million bales on expectations of low cotton prices and improved demand by the textile mills. Cotton imports are projected lower at 1.2 million bales on comfortable domestic supplies.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1]
[IN]

Table of Contents

SECTION I: SITUATION AND OUTLOOK

Note: All data in the narrative are in Indian bales of 170 kilograms.

Production

Assuming a normal monsoon rainfall, MY 2004/05 (Aug-Jul) cotton production is forecast at 16.2 million bales (including 1.2 million bales of loose cotton) from 8.5 million hectares, compared with 16.6 million bales from 8.0 million hectares in MY 2003/04. Although cotton planting in MY 2004/05 is forecast to increase significantly in response to high cotton prices in the previous season, per hectare yield is unlikely to reach the record MY 2003/04 level, when weather conditions were ideal. Production of extra long staple (ELS) cotton is forecast to recoup to 250,000 bales, provided planting and growth conditions are favorable.

Although cotton output registered a 22 percent increase in MY 2003/04 in response to perfect weather conditions and increased usage of new high yielding varieties, ELS production suffered due to two consecutive droughts in the major growing states of Karnataka and Tamil Nadu.

The Government of India (GOI) has so far approved commercial planting of only four genetically engineered Bt. varieties for the central/southern states. No Bt. varieties for northern states have yet been approved. However, several unapproved Bt. varieties are illegally bred, distributed, and planted in several states including those in the north. Bt. cotton coverage is expanding rapidly, with MY 2004/05 planting projected at 700,000 hectares (300,000 hectares of approved varieties and 400,000 hectares of illegal varieties) compared with 290,000 hectares in MY 2003/04 (90,000 hectares approved and 200,000 hectares of illegal).

A resurgence in textile export demand, increased domestic off take, and expected lower cotton prices are expected to lift Indian fiscal year (IFY) 2004/05 (Apr-Mar) cotton textile production by 3-4 percent over the stagnant IFY 2003/04 level.

Consumption

Cotton consumption in MY 2004/05, forecast at 17.1 million bales, is expected to benefit from likely anticipated low cotton prices and improved textile demand (both domestic and export), although increasing competition from man-made-fibers (MMF) can temper growth. Cotton prices during MY 2004/05 are expected to rule lower than those last year due to large carryover stocks, higher production, and expected weak world prices. Prices remained firm in MY 2003/04 (Table 6) in response to strong international prices, tempering consumption. Manmade fiber/filament yarn consumption continues to grow, diminishing the share of cotton (Table 15).

Trade

Owing to larger carry over stocks and expected higher production, cotton imports in MY 2004/05 are forecast to decline marginally to 1.2 million bales, although the ELS imports are expected to increase to 270,000 bales on expected weaker world prices and a recovery in export demand for fine yarn/fabric/made-up. Cotton exports are forecast lower at 400,000 bales due to anticipated weak world prices.

MY 2003/04 cotton imports are estimated lower at 1.3 million bales, compared with previous year’s 1.6 million bales due to comparatively strong world prices vis-à-vis domestic prices. U.S. cotton is expected to account for 35-40 percent, and other major suppliers are West

Africa, Egypt, Greece, Sudan, and Brazil. ELS imports, mostly from Egypt, USA, and CIS countries, are estimated lower at 220,000 bales due to strong international prices and stagnant export demand for Indian fine yarns/fabrics/made ups. After a gap of 5 years, India is back in the export market, with MY 2003/04 exports estimated at 700,000 bales. Major markets were China, Pakistan, Bangladesh, Indonesia, Philippines, Thailand, and Taiwan.

Cotton textile exports in IFY 2003/04 are expected to decline by 5 percent, but are forecast to bounce back in 2004/05 driven by likely cheaper cotton prices and strong export demand. Industry sources reported a resurgence in export demand for cotton yarn in recent months.

Marketing

India is a growing market for ELS and other superior quality staples (28-32 mm), with occasional imports of medium staple. Most importing mills are willing to pay a premium of 5-8 percent for foreign cotton due to its higher quality (less trash, uniform lots, higher ginning out turn), better credit terms (3-6 months vs. 15-30 days for local), and staggered delivery over longer periods at the contracted price. Indian mills importing US Pima and US upland cotton have been appreciative of its quality and consistency compared to cottons from other origins. Trade servicing missions by the Cotton Council International and SUPIMA have also helped to develop better appreciation for U.S. cotton by Indian mills. Although the United States has emerged as the leading supplier during the past four years, prices will have to remain competitive in order to counter freight advantages and shorter delivery periods enjoyed by Egypt, West Africa, the CIS countries, and Australia, due to their geographic proximity to India.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (Metric Tons), PSD

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Aug-02		Aug-03		Aug-04	(MONTH/YEAR)
Area Planted	7572000	7572000	8000000	8000000	0	8500000	(HECTARES)
Area Harvested	7572000	7572000	8000000	8000000	0	8500000	(HECTARES)
Beginning Stocks	1115994	1115994	782089	782089	0	872316	METRIC TONS
Production	2307901	2307901	2822000	2822000	0	2754000	METRIC TONS
Imports	264860	264860	217727	217727	0	217727	METRIC TONS
TOTAL SUPPLY	3688755	3688755	3821816	3821816	0	3844043	METRIC TONS
Exports	10886	10886	87091	119000	0	68000	METRIC TONS
USE Dom. Consumption	2664070	2664070	2609500	2609500	0	2686000	METRIC TONS
Loss Dom. Consumption	231710	231710	221000	221000	0	221000	METRIC TONS
TOTAL Dom. Consumption	2895780	2895780	2830500	2830500	0	2907000	METRIC TONS
Ending Stocks	782089	782089	904225	872316	0	869043	METRIC TONS
TOTAL DISTRIBUTION	3688755	3688755	3821816	3821816	0	3844043	METRIC TONS

Note: Production figures for MY 2002, 2003 and 2004 include 1.15 million bales (170 kg), 1.1 million bales and 1.2 million bales of loose cotton respectively.

Table 2: Commodity, Cotton (480 lb bales), PSD

PSD Table							
Country:	India				Conversion	0.004593	
Commodity:	Cotton						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	7572000	7572000	8000000	8000000	0	8500000	(HECTARES)
Area Harvested	7572000	7572000	8000000	8000000	0	8500000	(HECTARES)
Beginning Stocks	5126	5126	3592	3592	0	4006	1,000 480lb bales
Production	10600	10600	12961	12961	0	12649	1,000 480lb bales
Imports	1216	1216	1000	1000	0	1000	1,000 480lb bales
TOTAL SUPPLY	16942	16942	17553	17553	0	17655	1,000 480lb bales
Exports	50	50	400	547	0	312	1,000 480lb bales
USE Dom. Consumption	12236	12236	11985	11985	0	12337	1,000 480lb bales
Loss Dom. Consumption	1064	1064	1015	1015	0	1015	1,000 480lb bales
TOTAL Dom. Consumption	13300	13300	13000	13000	0	13352	1,000 480lb bales
Ending Stocks	3592	3592	4153	4006	0	3991	1,000 480lb bales
TOTAL DISTRIBUTION	16942	16942	17553	17553	0	17655	1,000 480lb bales

Note: Production figures for MY 2002, 2003 and 2004 include 1.15 million bales (170 kg), 1.1 million bales and 1.2 million bales of loose cotton respectively.

Table 3: Commodity, ELS Cotton (1-3/8" or 35mm staple length)

Units : Metric Tons	2000/01	2001/02	2002/03	2003/04	2004/05
	(Revised)	(Revised)	(Revised)	(Revised)	(Forecast)
Beginning Stocks	13474	12114	9564	2764	1064
Production	56440	53550	30600	28900	42500
Imports	28900	25500	42500	37400	45900
Total Supply	98814	91164	82664	69064	89464
Exports	0	0	0	0	0
Domestic Consumption	86700	81600	79900	68000	85000
Ending Stocks	12114	9564	2764	1064	4464
Total Distribution	98814	91164	82664	69064	89464
Units : 480 lbs bales	2000/01	2001/02	2002/03	2003/04	2004/05
	(Revised)	(Revised)	(Revised)	(Revised)	(Forecast)
Beginning Stocks	61887	55641	43928	12696	4888
Production	259229	245955	140546	132738	195203
Imports	132738	117122	195203	171778	210819
Total Supply	453854	418717	379677	317212	410909
Exports	0	0	0	0	0
Domestic Consumption	398213	374789	366981	312324	390405
Ending Stocks	55641	43928	12696	4888	20504
Total Distribution	453854	418717	379677	317212	410909

Note: ELS production estimates for MY 2000/01 onwards revised based on the variety-wise (DCH-32, Varalaxmi, Suvin and other varieties of 35mm or more length) production figures reported by the East India Cotton Association (EICA). Consumption and stock estimates revised to reflect changes in the production estimates.

Source: 1. MY 2000/01, 2001/02 and 2002/03 production figures as reported by EICA.
2. Other estimates derived based on information from trade sources.

Table 4A: Area, Production & Yield of Cotton in Major States
(Area 000 ha; Production 000 bales of 170 kgs, Yield Kgs/ha)

						Final	Provisional	Revised	Forecast
STATE		1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Maharashtra	Area	3139	3199	3254	3077	2980	2799	2800	2950
	Production	2150	2650	3650	2050	3425	2400	3000	2900
	Yield	116	141	191	113	195	146	182	167
Gujarat	Area	1519	1607	1516	1615	1687	1498	1680	1700
	Production	4200	4750	2850	2400	3250	3050	4600	3800
	Yield	470	502	320	253	328	346	465	380
Madhya Pradesh	Area	517	501	525	506	623	550	590	590
	Production	2250	1875	1550	1750	2000	1800	1580	1600
	Yield	740	636	502	588	546	556	455	461
Punjab	Area	727	562	475	474	600	425	530	580
	Production	725	500	800	900	925	800	1050	1100
	Yield	170	151	286	323	262	320	337	322
Haryana	Area	638	582	546	555	610	535	550	600
	Production	900	700	1050	1000	550	850	1080	1100
	Yield	240	204	327	306	153	270	334	312
Rajasthan	Area	645	645	583	510	347	335	290	350
	Production	1100	1150	1300	1050	700	450	740	800
	Yield	290	303	379	350	343	228	434	389
Andhra Pradesh	Area	898	1278	1040	1022	1002	900	850	950
	Production	2550	2500	2200	2500	2675	2000	2550	2400
	Yield	483	333	360	416	454	378	510	429
Karnataka	Area	518	608	600	560	591	362	400	480
	Production	750	875	800	800	700	600	400	650
	Yield	246	245	227	243	201	282	170	230
Tamil Nadu	Area	247	243	185	193	200	115	230	220
	Production	500	550	550	550	500	400	400	550
	Yield	344	385	505	484	425	591	296	425
Others	Area	56	62	67	64	90	53	80	80
	Production	100	125	150	100	75	100	100	100
	Yield	304	343	381	266	142	321	213	213
All-India	Area	8904	9287	8791	8576	8730	7572	8000	8500
	Production	15225	15675	14900	13100	14800	12450	15500	15000
	Yield	291	287	288	260	288	280	329	300

Note: Production figures for 1997/98 – 2004/05 in the PS&D includes loose cotton estimates.

Table 4B: Planting Season, Irrigation & Cotton Type by Major Region

REGION	STATES	TYPE OF COTTON GROWN	PLANTING SEASON/IRRIGATION AVAILABILITY
North	Punjab, Haryana, Rajasthan	Medium & Short Staple	End April-May/Irrigated
Central	Gujarat, Maharashtra & Madhya Pradesh	Medium & Long Staple	Mid June-July (after onset of monsoon)/Largely rainfed
South*	Andhra Pradesh, Karnataka & Tamil Nadu	Long & Extra Long Staple	August-September/Largely rainfed

Note: * There is also a small summer cotton crop planted in January-February in Tamil Nadu.

Table 5: Mill Use by Month
(in 100,000 bales of 170 kg each)(August/July Marketing Year)

Month\Year	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Aug	13.07	11.44	12.45	12.64	12.40	12.65	11.31
Sept	13.24	11.38	12.11	12.41	12.05	12.39	11.07
Oct	12.75	11.28	12.20	12.00	11.83	12.45	10.92
Nov	12.59	11.68	11.62	12.45	11.48	11.69	11.90
Dec	13.48	12.48	12.85	12.93	12.54	12.62	12.92
Jan	12.69	12.28	12.80	12.58	12.54	12.38	**12.87**
Feb	11.12	11.57	12.38	11.74	11.71	11.41	
Mar	11.89	12.37	12.89	12.90	12.37	12.21	
Apr	11.23	12.12	12.22	12.41	12.25	11.71	
May	11.43	12.15	12.79	12.64	12.32	12.37	
Jun	11.46	12.36	12.75	12.50	12.16	11.40	
Jul	11.78	12.68	13.04	12.76	12.70	11.80	
TOTAL	146.73	143.79	150.10	149.96	146.35	145.08	70.99

Note: Figure in bold is provisional estimate.

Source: Textile Commissioners' Office, Mumbai.

Table 6: Month End Prices of Popular Varieties
(Rupees per Metric Tons)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan	34590	46400	50620	53990	64680	82950
Feb	38810	52300	56240	59050	65520	88280
Mar	38240	55680	58210	61860	67490	87720
Apr	41620	59050	61020	63560	68330	87160
May	40490	58210	59050	61860	69740	88000
Jun	40770	59050	60740	63000	70300	88560
Jul	41060	61020	62710	63560	71710	91360
Avg Price	39463	50806	54483	57015	65848	84726
2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65520	70300	87180
Oct	39090	60460	61580	63540	68900	87560
Nov	37110	55960	58220	61320	65540	87990
Dec	39630	57920	61300	63840	66100	85750
Jan	42740	62420	64940	67480	71410	91390
Feb	43860	59050	62980	66080	70290	88590
Mar	44420	59900	62140	66640	70290	85790
Apr	43590	59900	62140	65800	71700	85790
Avg Price	40833	59459	62078	64862	69270	87511

Source: East India Cotton Association, Mumbai.

Table 7: India's Monthly Import of Raw Cotton
(Figures in 100,000 bales of 170 kg each)

	2001/02	2002/03	2003/04
August	4.01	1.38	1.94
September	3.93	1.24	2.77
October	3.64	1.83	1.64
November	3.26	1.28	0.73
December	3.46	0.86	0.71
January	2.53	0.86	
February	2.6	1.03	
March	1.15	1.04	
April	1.38	0.84	
May	0.93	1.31	
June	1.67	1.72	
July	2.02	2.19	
Total	30.58	15.58	7.79

Note: Import figures as reported by end-user cotton textile mills.

Source: The Textile Commissioner's Office, Ministry of Textiles, GOI.

Table 8: Commodity, Cotton, Import Trade Matrix

Import Trade Matrix					
Country:	India	Units:	Metric Tons		
Commodity:	Cotton				
Time period:	Aug-Jul				(Aug-Dec)
Imports for	2001		2002		2003
U.S.	224,670	U.S.	82,460	U.S.	47,484
Others		Others		Others	
Australia	44,532	Egypt A Rep	27,800	Mali	14,467
Brazil	34,247	Mali	17,657	Egypt A Rep	11,614
Egypt A Rep	24,779	Greece	16,700	Greece	8,974
Paraguay	17,200	Benin	13,500	Benin	6,418
Greece	14,286	China	10,912	Tanzania	6,033
Uzbekistan	13,846	Ivory Coast	9,908	Sudan	5,427
Benin	12,692	Tanzania	8,590	Camroon	4,998
Argentina	12,156	Cameroon	7,828	Ivory Coast	4,686
Malaysia	12,023	Burkino FASO	7,098	Burkino FASO	3,410
Ivory Coast	9,855	Sudan	6,200	Uzbekistan	3,151
Total for Others	195,616		126,193		69,178
Others not listed	99,538		56,148		15,763
Grand Total	519,824		264,801		132,425

Note: MY2003 data are August through December, 2003.

Source: 1. Directorate General of Commercial Intelligence & Statistics (DGCIS), GOI.
2. Textile Commissioners Office, Ministry of Textiles, GOI.

Table 9: Commodity, Cotton*, Export Trade Matrix

Country:	India	Units:	Metric Tons		
Commodity:	Cotton				
Time period:	Aug-Jul				(Aug-Dec)
Exports for	2001		2002		2003
U.S.	326	U.S.	213	U.S.	18
Others		Others		Others	
Japan	3,424	Japan	8,607	China Rep	5,420
Belgium	1,212	Korea	1,546	Indonesia	2,506
Malaysia	1,208	Nepal	1,256	Bangladesh	2,147
Italy	459	Indonesia	579	Pakistan	1,963
France	412	Belgium	473	Phillipines	1,963
Korea	280	Bangladesh	461	Turkey	1,931
Bangladesh	260	China Rep	229	Mauritius	1,309
Portugal	204	Switzerland	200	Nepal	911
UAE	161	Vietnam	136	Japan	905
Canada	126	Singapore	128	Korea	526
Total for Others	7,746		13,615		19,581
Others not listed	1,069		368		1,101
Grand Total	9,141		14,196		20,700

Note: MY2003 data are August through December 2003.
* Includes non-spinnable cotton & cotton waste not included in the PS&D.

Source: Directorate General of Commercial Intelligence & Statistics (DGCIS), GOI.

Table 10: Growth of the Indian Textile Industry

Item|Year *	1991/92	1995/96	1999/2000	2000/01	2001/02	2002/03	2003/04 (P)
Organised Mills @							
Spinning	846	1294	1565	1565	1579	1599	1564
Composite	271	275	285	281	281	276	223
Exclusive Weaving	na	172	202	203	207	209	206
Small Scale Spinning Units	na	750	921	996	1046	1146	1135
Power Loom Units ('000s)	na	326	365	374	375	378	385
Spindles (millions)@	27.82	31.75	37.08	37.91	38.33	39.03	37.03
Rotors ('000s)@	113	226	444	454	480	468	482
Looms ('000s)@	169	148	140	140	141	137	105
Power Loom ('000s) @	na	1365	1630	1662	1666	1684	1721
Hand Loom ('000s) @	na	3891	3891	3891	3891	NA	NA
Spun Yarn Prod (mil kg)							
Cotton Yarn	1450	1894	2204	2267	2212	2177	2075
Other Spun Yarn	356	591	842	893	889	904	905
Man-made Filament Yarn	na	493	894	920	957	1100	1120
Fabric Production (mil sq m)							
Cotton	14647	18900	18989	19718	19769	19300	19800
Blended	2712	4025	5913	6351	6287	5876	6040
100% non-cotton (inc Khadi/ wool/silk)	5229	9033	14306	14187	15978	16797	16798

Note: *-Refers to Indian fiscal Year April/March.
@-As on end of the Indian fiscal year (31st March).
NA-not available.
P- provisional estimate.

Source: The Textile Commissioner's Office, GOI.

Table 11: Production of Spun Yarn
(Fiber-Wise, Million kg.)

Year/1	COTTON	BLENDED	100% NON-COTTON	TOTAL
1995	1894	395	196	2485
1996	2148	484	162	2794
1997	2213	583	177	2973
1998	2022	595	191	2808
1999	2204	621	221	3046
2000	2267	646	247	3160
2001	2212	609	280	3101
2002	2177	585	319	3081
2003 (P)	2075	575	330	2980

Note: /1: Year 2003 refers to Indian fiscal year 2003/04 (April-March)
(P): Provisional.

Source: Textile Commissioner's Office, GOI

Table 12: Count Groupwise Cotton, Blended and Non-Cotton Spun Yarn
(Fiber-Wise, Million kg.)

Item	2000	2001	2002	2003 (P)
I. Cotton Yarn				
1-10s Count	521	524	459	438
11-20s	469	439	445	415
21-30's	479	456	476	463
31-40's	561	548	533	506
41-60's	146	147	161	148
61-80's	52	61	61	58
80's & above	39	37	42	47
Total	2267	2212	2177	2075
II. Blended				
Cotton/Viscose	25	24	16	16
Cotton/Polyester	177	167	150	155
Cotton with Others	16	12	13	11
Polyester/Viscose	367	355	359	350
Polyester with Others	44	38	38	35
Others	17	13	9	8
Total	646	609	585	575
III. 100% Non-Cotton				
Viscose	62	52	74	76
Polyester	113	156	174	178
Acrylic	65	63	60	62
Others	7	9	11	14
Total	247	280	319	330

Note: /1: Year 2003 refers to Indian fiscal year 2003/04 (April-March)
(P): Provisional.

Source: Textile Commissioner’s Office, GOI

Table 13: Production of Manmade Filament Yarn
(Million Kg.)

Year/1	VISCOSE	POLYESTER	NYLON	POLY-PROPLENE	TOTAL
1995	61	376	42	15	494
1996	57	493	38	13	601
1997	57	668	30	14	769
1998	61	745	29	15	850
1999	49	801	26	17	893
2000	55	820	26	19	920
2001	48	866	27	20	961
2002	51	995	30	24	1100
2003 (P)	54	1018	27	22	1121

Note: /1- Year 2003 refers to Indian fiscal year 2003/04 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 14: Production of Fabric
(Fiber-wise,Square Meters)

Year/1	COTTON	BLENDED	KHADI/WOOL/SILK	100% NON-COTTON	TOTAL
1995	18900	4025	498	8535	31958
1996	19841	4888	540	9569	34838
1997	19992	5751	545	11153	37441
1998	17948	5700	559	11895	36102
1999	18989	5913	575	13725	39202
2000	19718	6351	581	13606	40256
2001	19769	6287	644	15334	42034
2002	19300	5876	662	16135	41973
2003 (P)	19800	6040	662	17250	43752

Note: /1- Year 2003 refers to Indian Fiscal Year 2003/04 (April/March).
(P) - Provisional.

Source: The Textile Commissioner's Office, GOI.

Table 15: Consumption of Major Fibers/Yarns by the Textile Industry
(Million Kgs)

Year/1	Cotton	Cotton	Man-made Fibre	Man-made Filament	Total Yarn
	Qty	% Share	Qty	Qty	Qty/2
1995	2295	66.6	557	488	3446
1996	2566	65.6	646	581	3913
1997	2719	62.8	770	722	4337
1998	2485	58.9	783	821	4221
1999	2652	58.6	840	899	4528
2000	2721	58.8	889	878	4630
2001	2701	57.7	863	970	4682
2002	2699	55.4	923	1099	4871
2003 (P)	2550	54.0	920	1100	4720

Note: /1 - Year 2003 is Indian fiscal year 2003/04 (April/March).
/2 - Total yarn includes some quantity of other natural yarns (silk/wool).
(P) – Provisional estimate.

Source: The Textile Commissioner's Office, GOI.

Table 16: Prices of Raw Cotton and Other Fibers
(Rupees/Kg)

Period	Raw Cotton Fibre	Viscose Staple Fibre	Polyester Staple Fibre	Acrylic Staple Fibre
	(wtd avg)	(avg)	(avg)	(avg)
March 1989	21.94	33.43	83.28	68.00
March 1990	18.15	38.63	70.40	75.50
March 1991	26.71	44.29	75.31	76.77
March 1992	33.61	51.72	80.13	97.67
March 1993	27.69	58.32	79.73	106.72
March 1994	49.50	59.56	78.50	104.67
March 1995	60.58	76.53	104.55	106.00
March 1996	45.71	83.20	89.05	85.50
March 1997	46.07	79.80	67.56	84.63
March 1998	56.10	80.09	51.30	88.50
March 1999	49.03	78.58	47.95	67.75
March 2000	47.75	78.58	63.34	80.25
March 2001	51.25	89.54	27.43	88.51
March 2002	37.68	83.74	49.73	84.95
March 2003	53.82	88.01	64.82	91.17
March 2004	58.10	91.06	76.22	95.00

Note: Prices are average of weekly prices for the month.

Source: The Textile Commissioner’s Office, GOI.

Table 17: Per Capita Availability of Cloth in India
(Meters)

Year/1	Cotton	Blended/Mixed	100% Non-Cotton	Total
1980	12.8	2.2	2.3	17.3
1990	15.1	3.0	6.1	24.1
1995	16.3	3.5	8.2	28.0
1996	16.2	4.0	9.1	29.3
1997	15.9	4.6	10.4	30.9
1998	13.1	4.1	11.0	28.2
1999	14.2	4.5	11.9	30.6
2000	14.2	4.5	12.0	30.7
2001	14.8	4.7	12.5	32.0
2002	14.4	4.4	12.6	31.4
2003 (P)	-	-	-	32.0

Note: /1 - Year 2003 refers to Indian fiscal year 2003/04 (April/March).
(P) – Provisional estimate; fabricwise breakup is not available.

Source: The Textile Commissioner's Office, GOI.

Table 18: India's Exports of Textile Items
(Million US$)

Item	2000	2001	2002	2003*	2002*
Cotton Textiles (Fibre/Yarn/Fabric/Madeups)	3,563.8	3,092.3	3,386.5	2,260.9	2,524.3
Man-made Textiles (Fibre/Yarn/Fabric/Madeups)	1,101.8	1,092.2	1,423.3	1,259.6	1,029.6
Wool Textiles (Yarn/Fabric/Madeups)	63.9	52.3	51.1	42.3	37.9
Silk Textiles (Yarn/Fabric/Madeups)	317.8	286.9	315.7	261.7	236.9
Ready-made Garments (Cotton/MMF/Silk/Wools/etc)	5,586.4	5,024.6	5,754.5	3,969.2	4,085.4
Total	10,633.7	9,548.3	10,931.1	7,793.7	7,914.1

Note: Year 2002 refers to Indian fiscal year (IFY) 2002/03 (April/March).
* refers to the period of April-December 2003 and 2002. i.e., first 9 months of IFY 2003/04 and 2002/03 respectively.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 19: Exports of Ready-made Garments from India
(Calender year basis, in Millions)

ITEM		CY 2000	CY 2001	CY 2002	CY 2003	2004*	2003
						(JAN-MARCH)	(JAN-MARCH)
COTTON	Qty. (pieces)	1221	1054	1032	1047	354	361
	Value ($)	4080	3390	3390	3803	1322	1266
SYNTHETIC	Qty.(pieces)	267	196	191	188	58	58
	Value ($)	1526	1012	912	959	310	288
WOOL	Qty.(pieces)	16	15	8	7	0.4	0.4
	Value ($)	160	142	108	112	6	8
TOTAL	Value ($)	5765	4543	4410	4874	1639	1562

Note: * - Provisional.

Source: 1. DGCIS, GOI
2. Apparel Export Promotion Council, GOI.

Table 20: Commodity, Export Trade Matrix, Cotton Yarn (Metric Tons)

Country	2000	2001	2002	2003*
USA	4,593	3,543	3,890	1,370
Others				
Korea Rp	44,878	49,622	75,293	23,770
Bangladesh	59,601	48,876	43,423	15,180
Hong Kong	70,323	45,304	39,599	11,630
Mauritious	29,836	28,188	27,434	10,910
China P Rp	21,151	23,716	25,374	8,780
Chinese Taipei	14,696	14,324	24,497	5,660
Italy	15,335	15,196	20,430	9,410
Japan	13,440	16,660	19,832	6,900
Korea Dp Rp	22,007	22,874	17,950	5,470
Egypt A Rp	13,274	12,116	15,419	7,250
Israel	14,157	11,066	14,400	6,100
Malaysia	11,152	10,484	12,655	4,480
Sri Lanka	12,693	12,028	12,486	4,460
Portugal	6,222	6,207	9,373	4,070
Belgium	9,062	5,330	9,363	2,030
Canada	11,162	10,097	8,735	4,460
Spain	6,459	7,171	8,607	3,350
German F Rep	7,615	8,110	8,386	15,180
Others	117,844	82,625	108,015	37,990
Total	505,499	433,535	505,161	188,450

Note: Year 2002 refers to Indian fiscal year 2002/03 (April-March).
*- figures for 2003 refers to the period April-September, 2003, i.e., first six months of IFY 2003/04.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 21: Export Trade Matrix, Cotton Fabrics (Metric Tons)

Country	2000	2001	2002	2003*
USA	39,620	30,451	35,750	31,170
Others				
Bangladesh	15,522	12,651	22,710	23,260
UK	27,578	19,561	16,880	15,100
Italy	15,758	19,539	14,870	14,420
Sri Lanka	9,491	8,466	11,650	13,730
UAE	12,022	10,716	11,470	13,050
Niger	3,525	4,958	8,150	19,720
Spain	6,482	6,881	7,900	5,520
German F. Rp	6,811	7,049	7,650	9,940
Togo	3,705	4,853	7,150	10,250
Nigeria	7,583	7,727	6,090	11,260
Benin	3,866	5,081	5,940	6,800
Belgium	8,572	6,856	5,770	5,930
Turkey	6,425	6,434	5,300	6,210
Hong Kong	5,568	4,839	4,910	4,200
Tanzania Rp	4,474	4,544	4,500	na
France	5,015	4,050	3,590	3,670
South Africa	5,534	5,054	3,530	1,620
Ivory Coast	5,221	4,153	3,240	na
China P Rp	5,478	5,361	2,180	1,980
Others	92,191	84,581	94,990	109,930
Total	290,444	263,804	284,220	307,760

Note: Year 2002 refers to Indian fiscal year 2002/03 (April-March).
*- figures for 2003 refers to the period April-September, 2003, i.e., first six months of IFY 2003/04.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 22: Export Trade Matrix, Cotton Madeups (Metric Tons)

Country	2000	2001	2002	2003*
USA	85,739	82,760	145,070	183,750
Others				
UK	24,233	25,570	23,210	27,170
German F Rp	22,388	17,600	19,270	21,120
France	13,462	12,220	12,710	13,060
Japan	13,584	12,400	12,670	11,980
Spain	6,372	6,480	9,400	9,900
Italy	8,756	8,670	8,540	10,070
Canada	5,628	5,880	7,540	70,170
UAE	6,194	9,400	7,500	7,440
Sweden	6,393	5,880	6,930	8,100
Australia	5,898	5,230	6,130	7,310
Netherland	6,375	5,200	5,420	6,620
Belgium	5,399	4,900	3,870	4,730
Denmark	3,174	400	3,540	4,050
South Africa	2,643	2,440	2,880	6,440
Saudi Arab	2,118	2,020	2,760	2,500
Israel	2,353	2,540	2,390	1,340
Korea Rp	1,748	1,520	1,490	480
Portugal	1,566	1,460	1,480	1,750
Others	34,855	42,550	41,000	47,660
Total	258,878	255,120	323,800	445,640

Note: Year 2002 refers to Indian fiscal year 2002/03 (April-March).
*- figures for 2003 refers to the period April-September, 2003, i.e., first six months of IFY 2003/04.

Source: 1. DGCIS, GOI.
2. The Cotton Textile Export Promotion Council, GOI.

Table 23: Existing Import Policy & Tarriffs/Duties for Cotton/Cotton Textiles

Commodity Code	Description of Comm.	Policy/1	Basic Duty Rate/2	CVD Rate/3
HC 52.01	Cotton-not carded or combed	OGL	10	0
HC 52.02	Cotton Waste	OGL	15	0
HC 52.03	Cotton-carded or combed	OGL	30	0
HC 52.04	Cotton Sewing Thread	OGL	20	/4
HC 52.05	Cotton Yarn (85% or more cotton)	OGL	20	/4
HC 52.06	Cotton Yarn (less than 85% cotton)	OGL	20	/4
HC 52.07	Cotton Yarn for Retail Sale	OGL	20	/4
HC 52.08	Cotton Fabric (85% or more cotton)weighing <200gm/sq.m	OGL	Mostly 20 /5	/6
HC 52.09	Cotton Fabric (85% or more cotton)weighing >200gm/sq.m	OGL	Mostly 20 /7	/6
HC 52.10	Cotton Fabric(less than 85% cotton)weighing <200gm/sq.m	OGL	Mostly 20 /8	/6
HC 52.11	Cotton Fabric(less than 85% cotton)weighing >200gm/sq.m	OGL	Mostly 20 /9	/6
HC 52.12	Other Cotton Fabric	OGL	Mostly 20 /10	/6

Notes:
/1 : OGL(Open General License)- No restrictions on imports.
/2 : Most goods of the HC 52 get a tariff concession upto 50 percent of the effective basic duty on imports from LDC members of SAPTA - Bangladesh, Nepal, Bhutan and Maldives.

/3 : CVD (Countervailing Duty) equivalent to local excise taxes + additional duties & cess

/4 : Local excise tax rate = 8% for items not containing synthetic fibre
12% for items containing synthetic fibre
Plus add additional duty of excise = 15 percent of the total excise tax
Plus add Cess under Textile Com Act, 1963 = 0.05% of CIF Value + Basic Duty
/5 : Basic Duty on 5208.39 is 20% or rs. 150/kg
on 5208.41 is 20% or* rs. 9/sqmeter
on 5208.42 is 20% or* rs. 37/sq meter
on 5208.49 is 20% or* rs. 200/kg
on 5208.51 is 20% or* rs. 27/sqmeter
on 5208.52 is 20% or rs. 23/sqmeter
on 5208.53 is 20% or* rs. 35/sqmeter
on 5208.59 is 20% or* rs. 50/sqmeter

/6 : CVD equivalent to local excise taxes = 10 percent; nil for fabric processed without the aid of power or steam

/7 : Basic Duty on 5209.31-39 is 20% or rs. 150/kg
on 5209.41 is 20% or* rs. 32/sqmeter
on 5209.43 is 20% or* rs. 30/sqmeter
on 5209.49 is 20% or* rs. 150/kg
on 5209.51-52 is 20% or* rs. 30/sqmeter
on 5209.59 is 20% or* rs. 38/sqmeter
/8 : Basic Duty on 5210.39 is 20% or* rs. 150/kg
on 5210.49 is 20% or* rs. 132/kg
on 5210.51-59 is 20% or* rs. 15/sqmeter
/10: Basic Duty on 5211.31-39 is 20% or* rs. 150/kg
on 5211.41 is 20% or* rs. 44/sqmeter
on 5211.43 is 20% or* rs. 40/sqmeter
on 5211.49 is 20% or* rs. 150/kg
on 5211.51-59 is 20% or* rs. 18/sqmeter
/11: Basic Duty on 5212.15 and 5212.25 is 20% or* rs. 165/kg
on 5212.24 is 20% or* rs. 20/sqmeter
* - Whichever is higher

Method for Computing Total Applicable Duty

A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * CIF Value
C : CV Duty = CVD Rate * (A+B)
where CVD Rate = Excise Tax Rate + Additional Duty on Excise Tax + Cess

Total Applicable Duty = B+C

SECTION III: NARRATIVE ON SUPPLY, DEMAND, POLICY & MARKETING

Production

Cotton is predominantly a monsoon season crop planted during April through September and harvested in the fall and winter (Table 4B). Planting intentions are largely influenced by price relationships with competing crops: (paddy/fodder crops in the north, coarse grains/pulses/sugarcane in central India, and paddy/tobacco/chilies in the south). Due to relatively high cotton prices compared to major competing crops in MY 2003/04, cotton area is forecast to expand by 500,000 hectares to 8.5 million hectares in MY 2004/05. Assuming a normal yield, production is forecast at 16.2 million bales.

MY 2003/04 production is estimated at 16.6 million bales from an estimated area of 8.0 million hectares. Highly favorable growing conditions, characterized by well-distributed rains and abnormally low incidence of pests and diseases combined with increased usage of new higher yielding varieties to produce a record per hectare yield of 353 kilograms. Available market arrival data further supports this high production figure. Market arrivals through May 1, 2004, are estimated at 16.2 million bales vs. 12.5 million bales for the corresponding period last year. The overall quality of the cotton was reported to be better than in previous years.

Although cotton planted area in India is the highest in the world, yields are among the lowest due to lack of irrigation, limited use of high quality seeds, and poor management practices. Bollworm is a major problem, especially in the northern states and parts of Gujarat and Andhra Pradesh, where most of the high-yielding, irrigated cotton is produced. Yield losses from bollworm infestation in the past have ranged from 30 to 50 percent.

Cotton textile production in the IFY 2003/04 (April-March) stagnated (Tables 11-13) owing to high cotton prices, poor export demand and increasing competition from cheaper MMF. However, market sources report recovery in export demand for Indian cotton textiles (mainly yarn) since December 2003 as reflected by improved monthly mill consumption figures (Table 5).

Status of Bt. Cotton

India has recently approved a new Bt. cotton variety (RCH-2), besides the three Bt. varieties already approved for commercial cultivation, for six central and southern states. The GOI has permitted field trials of several new Bt. varieties during the forthcoming season, which may take 1 to 2 years for final approval. The government so far has not approved any Bt. cotton varieties for the bollworm-prone northern region, although two Bt. varieties are now at the field trial stage. Besides the four approved varieties, there are some fifty unapproved Bt cotton varieties, illegally bred and marketed by farmers/seed companies, which are offered at a hefty discount over the approved varieties. Some dishonest traders are also selling F2 generation of Bt hybrids. According to trade sources, cotton area under 'illegal' Bt cotton varieties was twice that of approved Bt varieties.

Despite conflicting reports about the performance of Bt. cotton in the central and southern regions this season, farmers were generally satisfied by its performance. Scientists report that since the pest incidence was abnormally low due to drought conditions, the impact of the Bt. variety over non-Bt. varieties may not have been highly visible. Nevertheless, farmers recognize the benefits derived from this technology based on the field performance of Bt cotton in the last two years. Despite the Bt. seed costing more than the normal hybrid seeds, Bt. cotton coverage in MY 2004/05 is expected to more than double to 700,000 hectares (8 percent of the total cotton acreage).

ELS Cotton

Adverse planting conditions due to two consecutive droughts reduced ELS cotton production to 170,000 bales in MY 2003/04, a record low (Table 3). Only a few domestic varieties (DCH-32, TCH-213, and Suvin), grown mostly in south India, meet the ELS specification. Fiber quality and yields of these varieties have deteriorated in recent years, causing marketing problems and lower returns to growers, prompting them to shift to new long staple (30-34 mm) varieties which have higher yields and lower quality problems. Efforts to improve the productivity of ELS parent lines have met with only limited success. ELS cotton is used for the production of quality yarn, fabric, and dress material for exports, and for a small but growing high-end domestic market segment. MY 2003/04 consumption decreased to 400,000 bales on high cotton prices.

Production Policy

The GOI establishes minimum support prices (MSP) for cotton at the start of each marketing season. The Cotton Corporation of India (CCI), a government organization, is responsible for implementing the support operation in all states. Typically, market prices remain well above the MSP, and CCI operations are generally limited to commercial purchases and sales. The state of Maharashtra recently liberalized its monopoly cotton procurement scheme by allowing private traders to procure directly from farmers. Future trading in cotton, which was launched by the East India Cotton Association (EICA) in 1998, continues to remain limited. There are several government agencies, research institutions, besides the CCI, engaged in the development, seed distribution, crop surveillance, integrated pest management, and extension activities for cotton. The GOI's Cotton Technology Mission also supports activities aimed at improving cotton yields, reducing cultivation costs, and improving quality through modernization of existing facilities.

The GOI's statutory hank yarn policy requires that 50 percent of a mill's output of yarn meant for the domestic markets be produced in hank yarn form for use by the handloom industry. Export oriented units (EOUs) are exempted from this obligation. In addition to ensuring supply of hank yarn to the handloom sector, the GOI also subsidizes the sale of handloom products. The Technology Upgradation Fund (TUF), launched in 1999 to modernize the textile industry, provides an interest subsidy on loans meant for technology upgradation.

Consumption

A normal monsoon this year would support higher cotton consumption in MY 2004/05, not only by ensuring comfortable domestic supplies at lower prices but also by increasing the purchasing power of the majority farm population, spurring cloth demand. MY 2004/05 mill consumption is forecast to rise to 14.6 million bales, consumption by small spinning units to 1.2 million bales, and non-mill consumption at 1.3 million bales.

Cotton is increasingly being displaced by MMFs, mainly polyester staple fiber (PSF) and polyester filament yarn (PFY) (Table 15). High growth in PSF/PSY use was fueled by rapid expansion in domestic production capacities and a reduction in import duties and taxes on the raw material for MMF. Polyester and poly-blends are also popular in India due to their durability and ease in washing and maintenance under tropical conditions. Cheaper PSF/PFY and ease of spinning have resulted in mills changing their cotton/polyester blend ratio from 65:35 to 55:45. Consequently, future growth in cotton usage is likely to be determined by relative prices of cotton vis-à-vis MMFs.

To keep pace with the demand for clothing from the growing Indian population, the textile industry must expand by 3-4 percent per year. The industry includes both an "organized" sector (large-scale spinning units and composite mills) and an "unorganized" sector (small-scale spinning units, power looms, handlooms, hosiery units). More than 95 percent of the yarn is produced in the organized sector. The weaving industry is mainly supplied by the unorganized sector with power looms accounting for 60 percent, handlooms for 18 percent, and hosiery units for 17 percent of total cloth production.

Trade

Strong international cotton prices, comfortable domestic supplies, and a slowdown in export demand for cotton textiles reduced cotton imports in MY 2003/04 to 1.3 million bales from 1.6 million bales in 2002/03. Most imports were ELS and other specialty cotton by EOUs. Market sources expect that the U.S. will continue to dominate with a market share of 35-40 percent. Monthly imports sagged since November 2003, but are expected to pickup in June/July due to lack of availability of good quality domestic cotton.

High international cotton prices brought India back to the export market after a pause of over 5 years, with MY 2003/04 exports estimated at 700,000 bales. Market sources estimate that about 600,000 bales were exported through early May 2004. New export contracts slowed down since early April due to a weakening of international cotton prices and a shortage of quality cotton. Major export destinations are China, Pakistan, Bangladesh, and South East Asian countries. Exports were mostly medium/long staple cotton like J-34 (24mm at 67-72 cents/lb), Shankar-6 (28mm at 71-74 cents/lb) and MCU 5 (32mm at 74-75 cents/lb).

High raw cotton prices, and the appreciation of Indian rupee vis-à-vis the U.S. dollar adversely affected cotton textile exports during most of year 2003. Cotton yarn exports saw a strong resurgence during the December 2003 to March 2004 period, which, however, slowed down since April 2004. The European Union's (EU) decision to impose anti-subsidy duty on Indian bed linen exports since January 2004 has adversely affected exports to this region. Indian textile exports are typically targeted toward the lower end of the international market. Coarse yarn (below 40's count) and grey fabric (including denims) accounts for major share of total cotton and fabric exports, respectively.

The Indian textile industry is hoping to expand its global share after the abolition of the quota system under the Multi-Fiber agreement (MFA) in 2005. Market sources report that global procurement companies are setting up offices in India, signaling higher volume orders. In recent years, a few modern integrated textile units have shifted their focus to exports of finer count yarns, fabric, and branded garments for the upper-end segment of the domestic and world market. These integrated textile units are expected to benefit more from the removal of MFA, since they will have the ability to supply a wider range of quality products.

Trade Policy

In April 2001, quantitative restrictions on imports of all cotton and cotton textile products were removed (Table 21). In the 2004 interim budget, the GOI lowered the peak tariff levels on most products from 25 percent to 20 percent and abolished the special additional duty of 4 percent. The basic import duty on raw cotton remained unchanged at 10 percent.

In January 2002, the export of yarn was liberalized and the quota limit was abolished. However, exports of yarn to quota countries such as the U.S. and the EU will continue to be monitored by the Cotton Textile Export Promotion Council (TEXPROCIL). The quota allocation is done in following manner: 55 percent according to past export performance; 15 percent for manufacturer exporter with upgraded and modernized units; and 30 percent on a first-come-first-served basis. The export of yarn to quota countries accounts for only 9-10 percent of total yarn exports.

Restrictions on fabric/made-ups exports to non-quota countries were removed in April 2001. Exports to quota countries are monitored by TEXPROCIL, and account for only 12 percent and 18 percent of total exports of fabrics and made-ups, respectively. Fabric and made-ups exports to quota countries are based on the following formula: 55 percent according to past export performance; 15 percent for manufacturer exporter with upgraded/modernized units; 15 percent for powerloom units; and 15 percent on a first-come-first-served basis.

In an effort to promote the export of value-added cotton textiles, the Indian government provides various incentives. The EOUs and firms importing against an advance license get a duty drawback (zero duty for EOUs and duty discounts for others) on imports of raw materials for the export of value-added goods. Under the EPCG scheme, imports of capital goods/machinery are allowed at subsidized duty rates against export obligations (zero duty for 100% EOU). In addition, many EOUs and other exporting firms receive exemptions from the export quota limitation. However, no direct subsidies are provided for the export of cotton and cotton textiles.

Marketing

India has a traditional cotton marketing system – farmers bring their hand-picked, raw seed cotton to the market, where it is auctioned and bought by traders. Seed cotton is ginned, pressed, and baled in ginning mills and the baled cotton is supplied to mills directly or through agents. In addition to the private trade, government parastatals like the CCI and state marketing federations also operate in the market on a commercial basis, besides undertaking price support operation as and when required. Most Indian mills import their cotton through these Mumbai-based cotton traders/brokers, though some are exploring possibilities of importing directly.